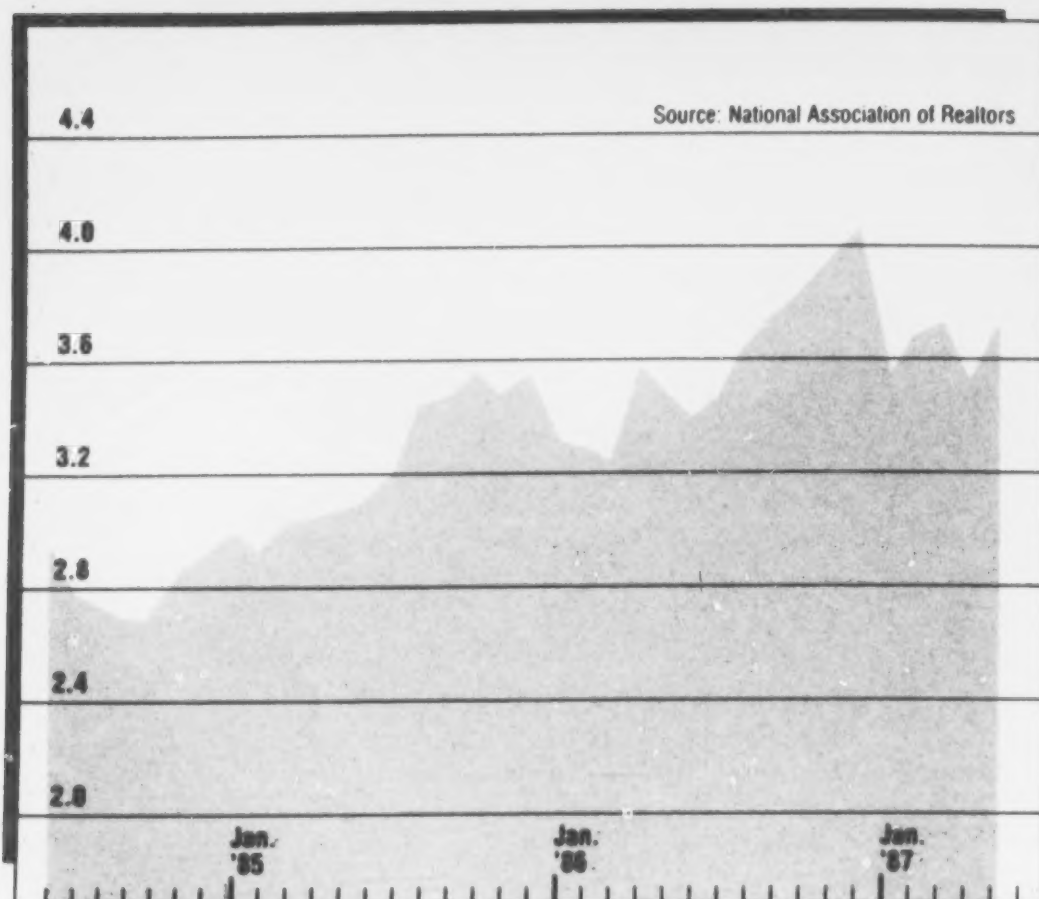
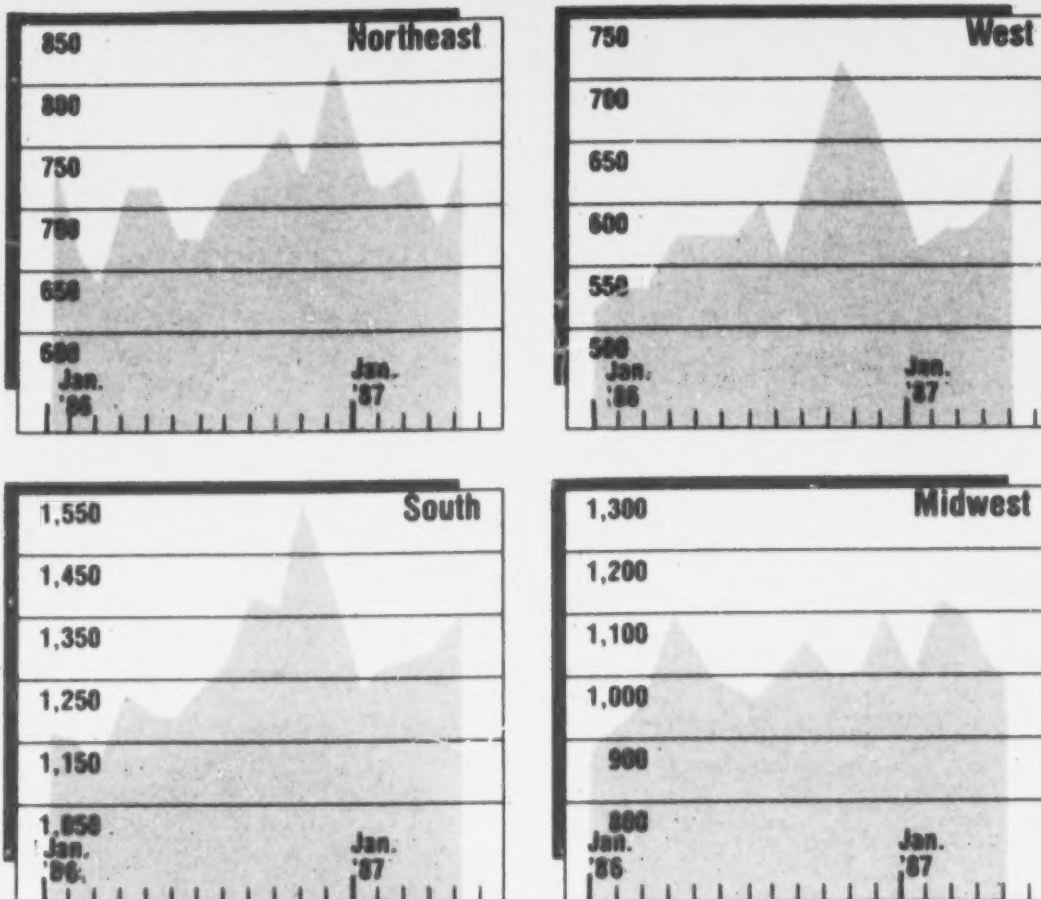


HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



Home sales rise despite costlier mortgages

By an NHCN staff editor

Strong sales of existing single-family homes in May, coupled with a substantial decline in sales of new homes, could prove a boon for home centers in the coming months.

"What some buyers are deciding is that since they can't afford the new home they want, they're going to buy an existing home," said Liz Johnson, of the National Association of Realtors. "And that probably means there will be more fixing up out there."

Sales of existing single-family homes rose 5.1 percent from April to May, despite a .25 increase in mortgage rates. Sales were up 8.1 percent from this time last year.

On a seasonally adjusted annual basis, 3.74 million existing units were sold, compared to 3.46 million in May 1986.

But sales of new single-family homes dropped 14.9 percent in May, to 616,000 units. The sale pace was 20.7 percent below May 1986, when

Median Sale Price
(in thousands of dollars)

	May*	April*	March	Feb.
U.S.	\$ 85.4	\$ 85.0	\$ 85.6	\$ 85.0
Northeast	134.0	129.4	128.2	125.4
South	66.8	66.7	83.7	82.1
Midwest	81.2	81.8	67.6	67.1
West	103.1	103.3	101.9	104.0

*-preliminary †-revised
Source: National Association of Realtors

777,000 homes were sold.

The median price of existing single-family homes did increase slightly in May, to \$85,400 from \$85,000. But Johnson said she doubts the increase will slow sales.

The biggest jump was recorded in the Northeast, where the median price increased from \$129,400 in April to \$134,000 in May. Despite the price hike, 740,000 homes changed hands, 70,000 more than in April.

Prices were also up slightly in the Midwest, while sales were down. One million homes were sold at a median price of \$66,800 each, some 30,000 fewer than were sold for \$66,700 each in April.

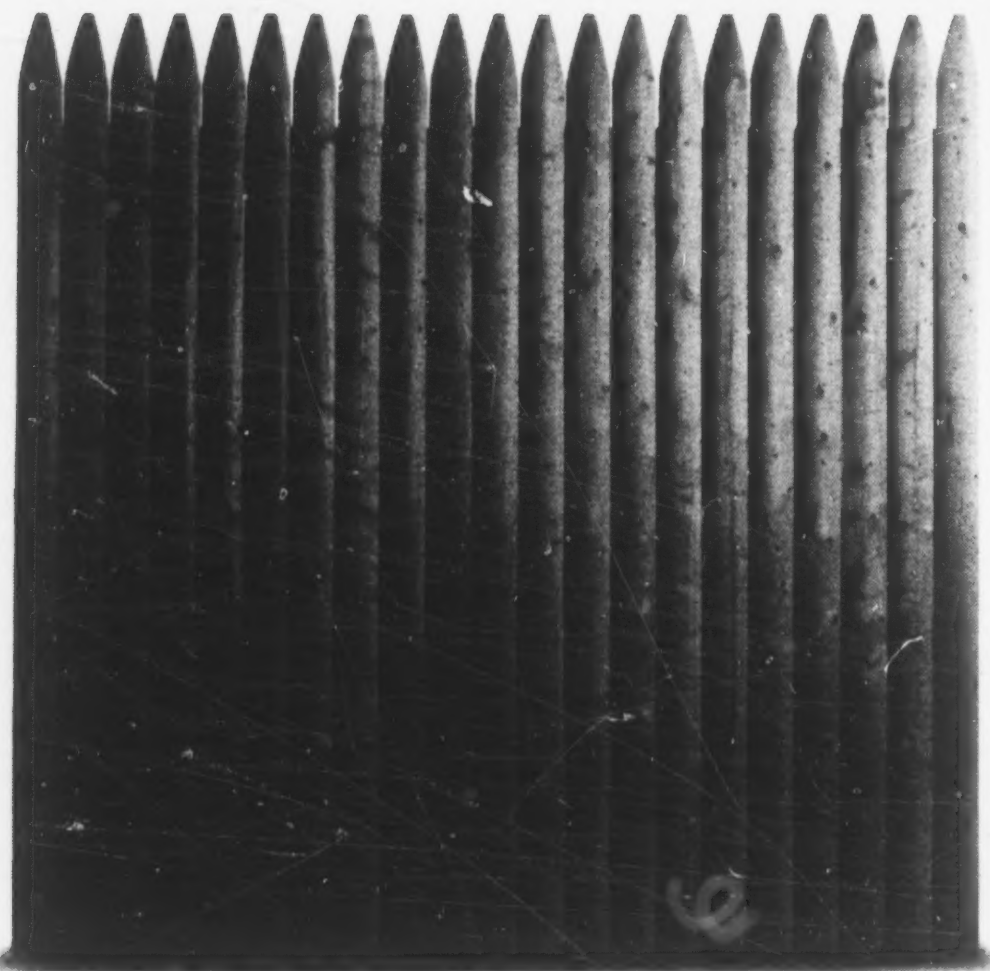
In the South, where prices dropped most, sales were the heaviest, with 80,000 more units sold in May than in April.

At a median price of \$81,200, some 1,350,000 million units were sold. That compares to a median price of \$81,800 in April, when 1,270,000 units sold.

In the West, sales increased by 50,000 to 640,000 homes from 590,000. The median price was \$103,100, down slightly from \$103,300 in April.

Johnson said the West is still adjusting to a real estate boom in the 1970s that pushed prices sharply higher. But she said the NAR does not expect prices to continue falling.

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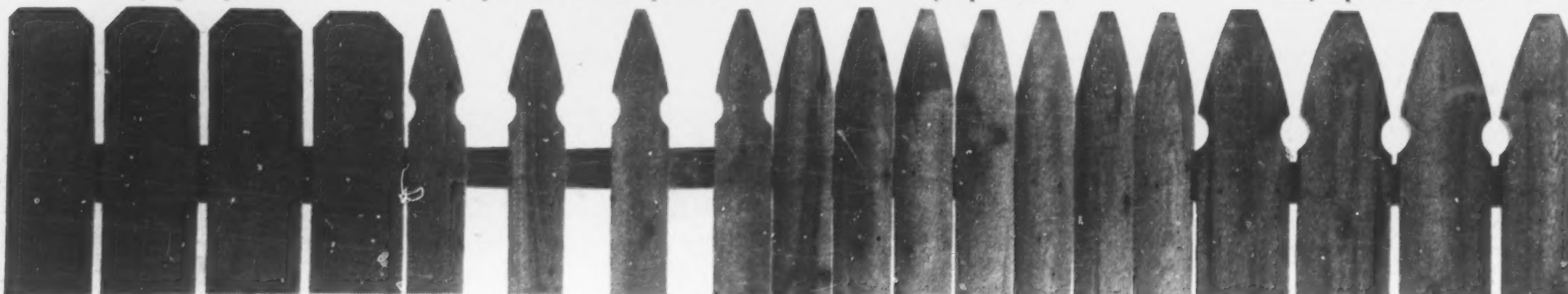
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LUMBER REPORT

Canada to impose 15% tax on lumber exports to U.S.

By an NHCN staff editor

OTTAWA, Ont. — Canada has officially passed into law the 15 percent tax on softwood lumber exports to the U.S., after nearly six months of fulfilling some arcane parliamentary rules unique to Canada.

Canada's customs and tax authorities are now empowered to enforce the export tax and have the power to conduct audits on companies that ship lumber to the U.S.

Under a U.S.-Canadian agreement made last December, exporters were expected to tax Canadian exports at 15 percent of the mill value and voluntarily make monthly returns to the taxing agencies.

Mislabeling investigated

But with the passage of the law, Canada's Department of National Revenue can now conduct audits to determine how diligent exporters have been. The audit can also result in retroactive penalties dating back to December.

Sheila McGuinn, of the Customs and Excise branch of the department of revenue, said letters will be sent to all exporters reminding them of their legal responsibilities.

The law will permit the tax divisions to investigate rumors that some companies have been avoiding the tax by mislabeling export documents as products that were not included in the agreement. Meanwhile, the group that pressured Canada to erect a tax rather than face a U.S.-imposed countervailing duty, the Coalition for Fair Lumber Imports (CFLI), seemed unmoved by the proclamation.

Months ago, the CFLI had charged the Canadians were reneging on the agreement.

In a terse statement, the Coalition said, "We're very pleased that they have completed the agreement."

The Canadian industry's most vocal marketing group—the Council of Forest Industries of British Columbia (CFIBC)—blasted the tax, despite its acknowledgement that there is little it can do to reverse the duty.

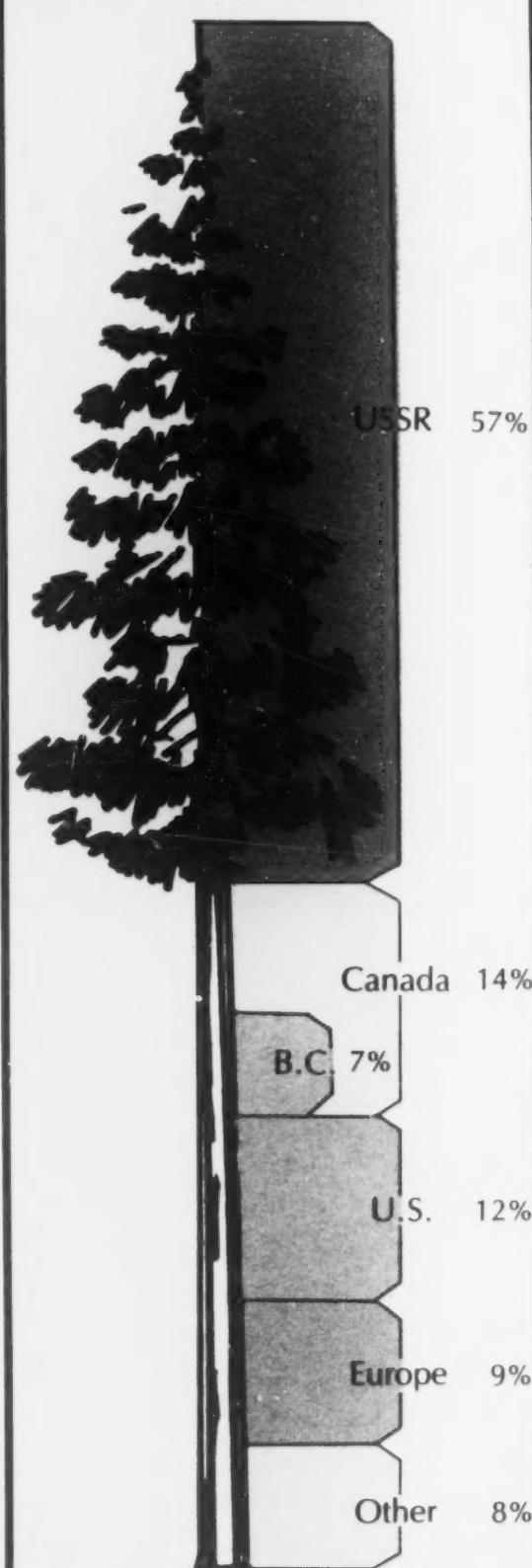
In a speech replete with both subtle and overt attacks on the 15 percent tax on Canadian lumber exports to the United States, T.M. Apsey, president and ceo of the CFIBC, warned that if lumber prices begin heading down during the imposition of the tax, companies will be forced to close mills.

He said a recent study by the accounting firm of Price Waterhouse determined that the Canadian forest industry was less profitable from 1980 to 1985, the years when lumber producers in the U.S. lobbied for a countervailing duty.

"As you can imagine, this last piece of information is particularly galling to those of us in the industry, since it was as a result of the weeping and wailing of some of our U.S. competitors that the new 15 percent tax on

SOFTWOOD GROWING STOCK

Chart shows percentage of that country's or region's worldwide volume of live softwood trees



Source: Forest Industries of British Columbia

Canadian lumber exports to the U.S. was imposed," Apsey said.

His comments were part of an assessment of the health of the Canadian forest industry, specifically, the British Colum-

bian province, which accounts for nearly 60 percent of Canada's total lumber production and exports more than three-quarters.

"The imposition of the export tax and better returns means that the industry's total tax bill will probably exceed \$1.8 billion in 1987," Apsey said.

"I'm not going to dwell in these remarks on how our industry regards the latest tax. We see it as unjustified, unfair and unnecessary, but all the arguments are history now."

Speaking before the Conference Board of Canada in Vancouver, Apsey's prognosis about the future of the Canadian forest industry was guardedly optimistic, tinged with bitterness over the increased cost of doing business.

"To date, the export charge has had little visible impact," Apsey said, "but as prices drift down, curtailments and layoffs are inevitable."

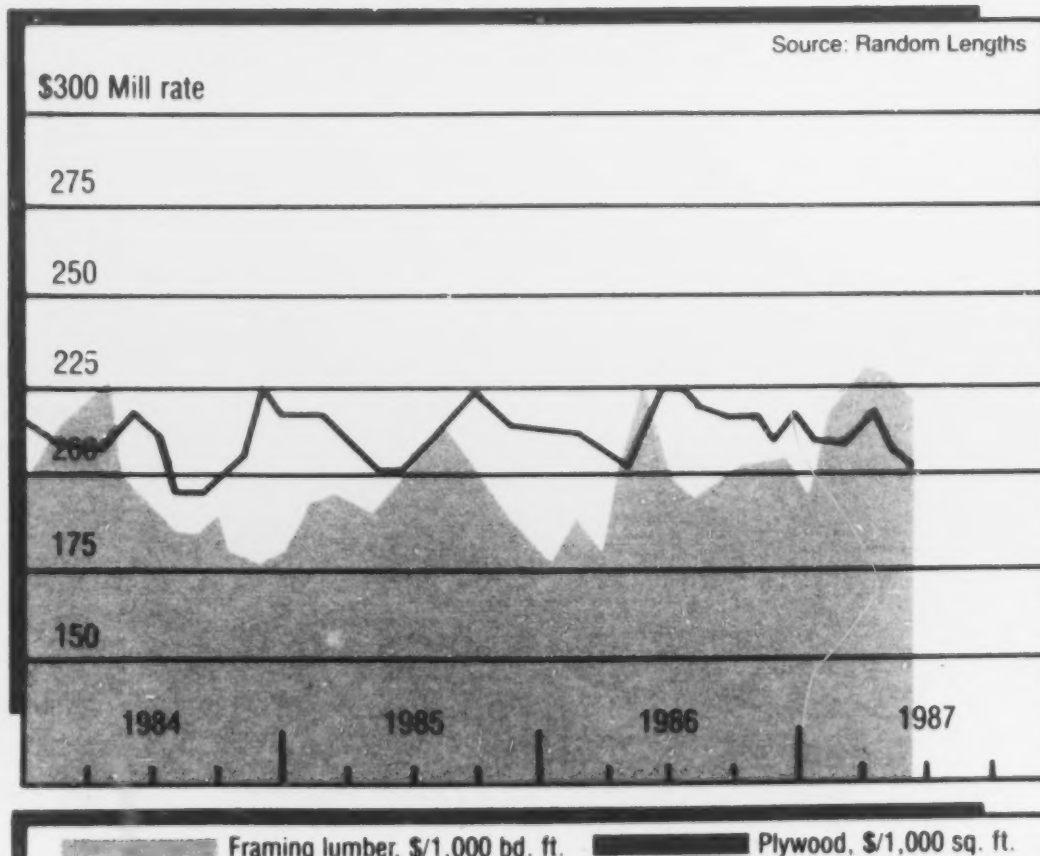
"The extra 15 percent now being paid by Canadian producers undermines their competitiveness."

Noting the correlation between strong housing starts and vigorous demand for Canadian lumber, Apsey argued that he expected U.S. single-housing starts to remain high and did not expect a slump next year, as some predicted.

When the three major forest products—pulp, lumber and plywood—are tallied together, Apsey said the Canadian forest products industry has become profitable in the past two years, much of the profitability attributable to better mills through capitalization.

Commodity close-up

Composite lumber/plywood price profile (per thousand board feet)



Strong price points for lumber and plywood began slipping early in the second quarter. After hitting expected highs of \$230 per thousand board feet in March, the monthly framing lumber composite lost \$7 by May. Similarly, after hitting a high of \$218 per thousand square feet in March, the monthly plywood composite price lost \$16 to end May at \$202 per thousand square feet.

Perspectives

warehouse clubs

Home centers share lots of customers with whse. clubs

By Brad Altman
NHCN staff editor

NATIONAL REPORT — Home centers continue to find advantages in "piggybacking" with membership warehouse clubs by choosing sites with a common parking lot.

Some home center retailers say that using the same building design enhances a discount pricing image in a retail center that also has general-merchandise warehouse clubs.

"Half our stores are within a quarter-mile or a half-mile of a membership warehouse," said Herb Zarkin, ceo of the 32-unit HomeClub warehouse home center chain in Fullerton, Calif.

Membership warehouse clubs—as opposed to DIY warehouse stores such as Home Depot that specialize in home improvement—generally carry a gamut of products from tires to liquor.

HomeClub first experimented with site-coexistence in 1985 when it opened its 12th and 13th units, in Bakersfield and Fresno, Calif., next to two Costco warehouses. The test was successful; HomeClub late last year opened a third unit next to a Costco in Stockton, Calif.

"We are doing good there," Costco president Jim Sinegal said of his company's sites shared with HomeClub.

"From everything that I have heard, so is HomeClub. We have a good marriage. Both are destination-oriented types of businesses and people will drive a long distance to shop there."

HomeClub also has opened units near PACE Membership Warehouses and near Price Club, the San Diego-based warehouse business founded in 1976 and credited with developing the membership formula (see separate story).

Site-coexistence has also proved to be viable for non-warehouse home centers.

In Columbus, Ohio, Hechinger is next to a Best outlet. In Fullerton, Calif., National Lumber established the joint use of a parking lot with Price Club in 1985. PACE is opening next to The Home Depot in Fullerton soon.

Sinegal, whose Seattle-based Costco warehouse chain was founded in 1983 and now has 42 units, said Costco recently opened a unit next to a Lumbermen's outlet in Silverdale, Wash.

"It's difficult to measure the synergism," he said of the two different-style businesses operating next-door to each other.



Herbert Zarkin, ceo of HomeClub.

Sinegal said he has not done any research to determine whether consumers "cross-shop"—that is, visit each store on the same trip.

"It is difficult to assess that," Sinegal explained. "A lot of people buy perishables [at Costco] and then go home. And then there are professional builders who buy at HomeClub and leave immediately to do their contracting."

HomeClub's



Home center dealers find locations near warehouse membership clubs draw more traffic to their own stores. Left, a typical Warehouse Club store.



Shoppers at an Indianapolis Wholesale Club. The membership warehouses carry everything from tires to liquor.

Zarkin says he doesn't believe many customers cross-shop. "We haven't done too many surveys showing that shoppers spend time at our store and then go next door to Costco."

Zarkin summarized the advantage of site-coexistence with Costco and other membership warehouses: "The concepts are similar, the stores are both membership and have similar personalities and customer demographics. We are membership-driven. Anytime we can locate next to a membership club, we will. There is a synergism."

George Rosenbaum, president of Leo J. Shapiro & Associates, a Chicago-based research firm, said home centers can benefit from setting up shop next to a warehouse club.

The warehouse clubs "can operate from relatively poor locations," Rosenbaum said. "They make that location more valuable because they attract traffic."

Selling identical merchandise does not appear to be a problem for either the home center or warehouse club. Sinegal said competition from HomeClub has not hurt the 20 percent of Costco's business generated from home improvement items.

Because Costco's total mix is only about 4,000 stockkeeping units, "our overlapping items [with home centers] may not even be 400 or 500 items," Sinegal said.

"If a contractor wants to buy a wheelbarrow, he would come to us," Sinegal said. "But the day-to-day contractor has to use HomeClub because if someone wants to change windows or add a room addition, they can't use us. We are in different businesses."

Another advantage of site-coexistence is that because both types of businesses are destination-oriented, customers will drive farther to shop there. Some membership clubs say they choose less expensive real estate in outlying areas because of this fact.

Sinegal said of the site-coexistence phenomenon, "We haven't made any deep analysis of what is going on. All we know is that we are happy and we think [HomeClub] is too, probably."

WAREHOUSE CLUBS: PROFILE

Sales in millions of dollars

	SALES			STORE COUNT	
	'86	'85	Change(%)	'87	'86
Price Co. (Calif.)	\$2,590	\$1,834	41%	39	27
Sam's (Ark.)	1,678	775	117	84	49
Costco (Wash.)	747	367	104	57	37
Pace (Colo.)	603	275	119	32	25
BJ's Wholesale Club (Mass.)	499	249	100	24	15
Makro (Ohio)	300	240	25	5	4
Price Savers (Utah)	300	200	50	16	6
Super Saver* (La.)	254	77	230	—	20
Wholesale Club (Ind.)	158	76	108	16	11
Wholesale Club (Ill.)	157	89	76	12	14

*Acquired by Wal-Mart, parent firm of Sam's
Source: Discount Store News

Warehouse clubs: are they a threat?

By an NHCN staff editor

NATIONAL REPORT — Despite the attention given to the general merchandise warehouse chains in recent years, many home center retailers don't recognize the competitive threat that the growth of these warehouses represent, industry observers say.

George Rosenbaum, president of Leo J. Shapiro & Associates, a Chicago market research firm, said one reason warehouses are still not seen as major competitors in the DIY arena is that warehouse clubs "are still not everywhere in America. Only 40 percent of American households have a warehouse club in their area."

Clearly, the warehouse clubs represent big volume. Leo J. Shapiro expects the clubs to reach \$19 billion in sales by 1990. According to Management Horizons, the management consulting and marketing research firm based in Dublin, Ohio, warehouse clubs generated an estimated \$8 billion in sales from 230 outlets in 1986 compared with an estimated \$4.5 billion sales from 137 outlets in 1985.

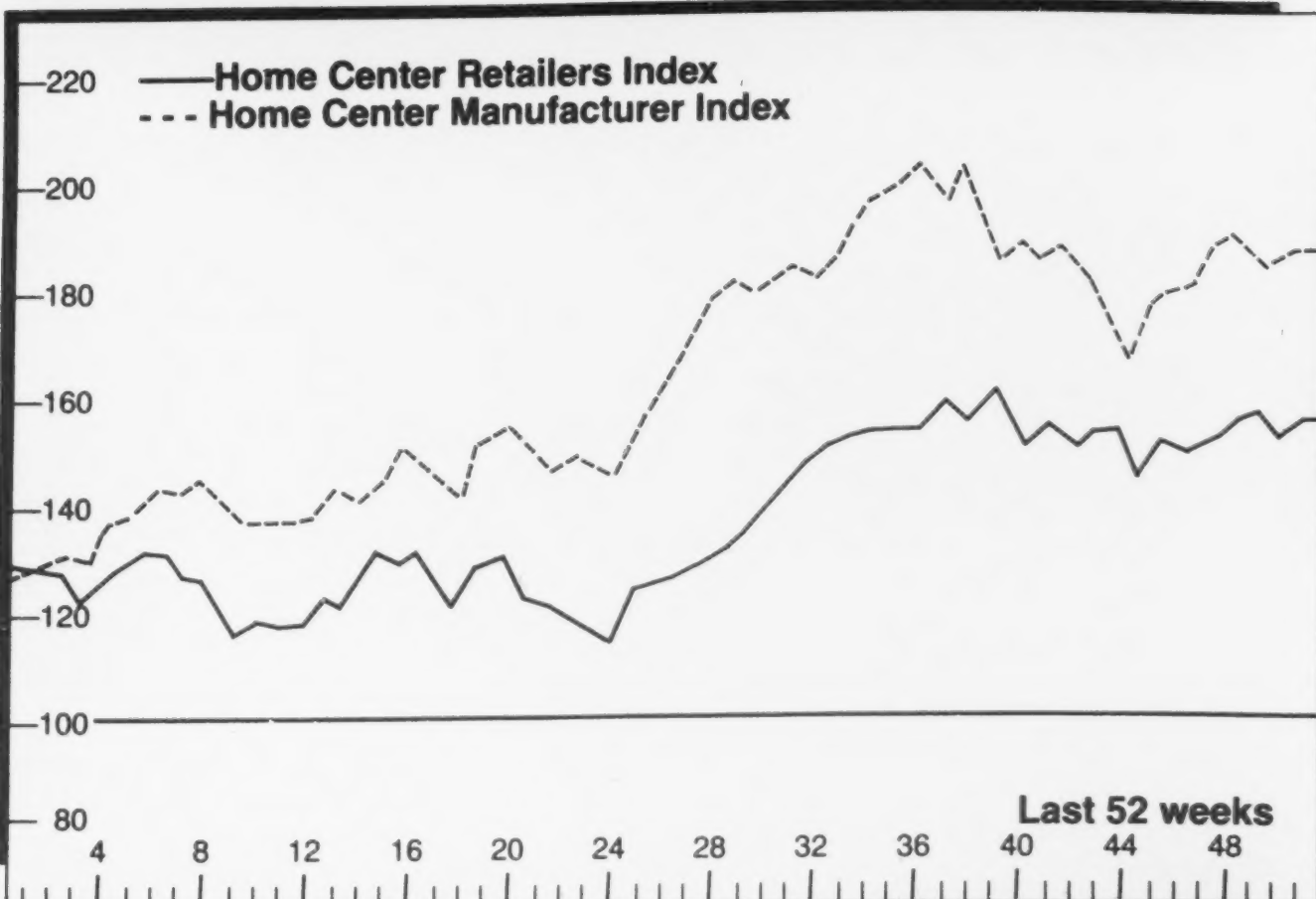
Rosenbaum noted that "it takes only one or two stores in a market to achieve coverage because they attract from a very large trading area. A larger market gets covered with just four or five stores."

Shapiro research has found that "there is a superstition that warehouse clubs are not selling to consumers, but only to wholesalers and other businesses," Rosenbaum said.

"What the figures don't show is that when these people buy supplies for their business, they also buy very heavily for themselves," Rosenbaum elaborated. "A major portion of the

(Continued on page 74)

FINANCIAL NEWS

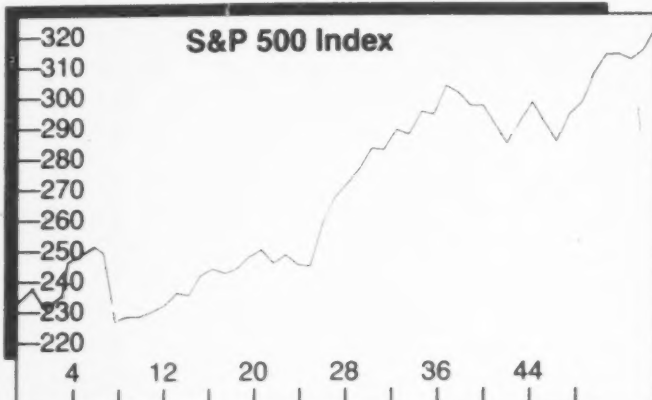


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on July 24, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the NHCN stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
7-24-87	(100)	%	%
Grossman's Inc. M	57,202	955.4	1.4
Std Brd Pnt. N	35,016	697.4	14.3
Walter, Jim. N	88,295	599.7	37.0
USG Corp. N	29,376	317.9	7.1
Waxman Ind. M	1,743	291.2	-5.0
Emhart Corp. N	8,939	272.7	1.7
Wolohan Lumber M	3,386	261.3	1.7
Zayre Corp. N	97,831	214.6	-3.6
Insilco Corp. N	7,176	210.8	-3.1
Owens Corn. N	46,031	209.3	-11.7

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.



PRICE MOVEMENT

Winners	2-Weeks Ended 7-24	2-Week Price Change	Total 2-Week Volume
Company & Market	\$	%	(100)
Walter, Jim. N	58.50	37.0	88,295
Std Brd Pnt. N	29.00	14.3	35,016
Hechinger A. M	24.00	9.1	5,564
Hechinger B. M	24.00	7.9	336
USG Corp. N	36.00	7.1	29,376
Manville Cp. N	4.00	6.7	38,416
Armstrong Wld. N	39.00	6.1	15,988
Am Standard. N	48.50	6.0	9,685
Scotty's Inc. N	14.25	5.6	1,448
Black & Decker. N	25.75	4.6	29,504
Losers	\$	%	(100)
Clairson Intl. M	11.50	-27.0	1,609
Owens Corn. N	23.63	-11.7	46,031
Union Camp. N	39.75	-7.8	23,403
Stanley Works. N	31.50	-6.3	4,989
Ply-Gem. A	15.00	-5.5	1,595
Waxman Ind. M	9.50	-5.0	1,743
Certain-teed. N	40.75	-5.0	2,882
Natl Lumber. M	4.75	-5.0	270
Pope & Talbot. N	20.00	-4.8	3,321
PPG Inds. N	47.13	-4.6	28,916



HOME CENTER MARKET SUMMARY

Company and Market	Stock Market										Financial Update																				
	Price								Volume		P/E	Indicated		Latest Report			Latest Quarter						Year-to-Date								
	2-Weeks		2-Weeks		2-Week		52-Week		2-Weeks			12-Week	Trend	Divd. Rate	New	Period	Date	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.			
	Ended		Change		Range		Range		Shares Traded			Avg. Vol						Amt	Yld	Report	Chg	Amt	Chg	Amt	Chg	Amt	Chg	Amt	Chg	Amt	Chg
	7-24-87								Total	% Out		As % Out																			
	\$	\$	%	\$	\$	\$	\$	(100)	%	%	%		\$	%				\$Mil	%	\$Mil	%	\$	%	\$Mil	%	\$Mil	%	\$	%		
Retailers																															
Grossman's Inc	M	8.88	13	1.4	8.88	8.00	11.25	6.75	57,202	28.60	2.71	955.4	NE	.00	0	NEW	6 mos	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE	
Hechinger A	M	24.00	2.00	9.1	24.50	22.00	24.25	16.00	5,564	5.09	2.94	73.1	NA	.16	7			00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Hechinger B	M	24.00	1.75	7.9	24.50	22.00	24.75	16.25	336	20	32	-37.5	24.0	.06	3		3 mos	04-87	164.8	20.4	7.6	55.1	.24	50.0	164.8	20.4	7.6	55.1	.24	50.0	
Home Depot	N	34.25	1.25	3.8	35.25	32.88	37.00	15.88	8,002	2.88	2.67	7.9	30.3	.02	1		3 mos	04-87	334.0	50.0	12.8	151.0	.43	115.0	334.0	50.0	12.8	151.0	.43	115.0	
INTERCO Inc	N	50.13	1.13	2.3	51.75	49.00	51.75	36.63	10,303	3.61	2.16	67.1	15.2	1.60	3.2		3 mos	05-87	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8	
K mart Co	N	45.25	1.13	2.5	46.63	43.13	46.63	28.84	57,879	2.90	1.46	98.6	14.7	1.16	2.6		3 mos	04-87	5594.4	7.3	115.5	26.1	.57	21.3	5594.4	7.3	115.5	26.1	.57	21.3	
Lowe's Cos	N	26.75	-13	-5	27.88	25.63	32.75	22.50	10,409	2.63	1.36	93.4	18.7	.44	1.6		3 mos	04-87	569.2	6.6	12.9	13.2	.33	6.5	569.2	6.6	12.9	13.2	.33	6.5	
Natl Hardgoods	M	7.50	25	3.4	7.63	7.25	10.00	6.88	341	2.77	1.16	138.8	10.7	.00a	0		3 mos	04-87	8.8	35.4	.0	NC	.03	.0	8.8	35.4	.0	NC	.03	.0	
Natl Lumber	M	4.75	-25	-5.0	5.13	4.75	7.50	4.00	270	.48	.30	60.0	NE	.00	0	*		04-87	NC	NC	NC	NC	NC	NC	38.2	NC	.1	NC	.01	NC	
Pay n Pak	N	20.75	.00	Q	21.00	20.63	21.50	9.50	650	.65	7.03	-90.8	26.6	.40	1.9		3 mos	05-87	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3	
Payless Cash	N	22.88	.38	1.7	23.25	22.25	26.88	15.88	8,304	2.40	1.86	29.0	18.0	.16	7		6 mos	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6	
Scotty's Inc	N	14.25	.75	5.6	14.25	13.50	15.88	12.00	1,448	1.00	.57	75.4	19.3	.52	3.6		9 mos	03-87	134.6	4.8	3.0	-26.8	.21	-25.0	378.9	5.5	7.0	-27.8	.48	-28.4	
Sears, Roebuck	N	51.63	1.38	2.7	53.13	50.00	56.00	39.00	77,790	2.08	1.02	103.9	13.4	2.00	3.9		3 mos	03-87	10480.0	11.6	287.9	47.4	.75	44.2	10480.0	11.6	287.9	47.4	.75	44.2	
Std Brd Pnt	N	29.00	3.63	14.3	31.50	25.00	31.50	19.38	35,016	31.18	3.91	697.4	21.8	.60	2.1		fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	-3.4	15.0	-5.1	1.33	-5.0	
Strober Organiz	M	12.00	.00	0	12.75	12.00	15.25	10.50	713	1.19	.75	58.7	12.0	.00	0		3 mos	03-87	21.3	19.0	1.0	42.9	.17	21.4	21.3	19.0	1.0	42.9	.17	21.4	
Supermks Gen	N	39.88	-25	-6	40.13	39.75	46.75	22.50	2,619	.68	2.69	-74.7	26.1	.28	.7		3 mos	04-87	1401.1	4.8	10.4	-15.4	.27	-20.6	1401.1	4.8	10.4	-15.4	.27	-20.6	
Wickes Cos	A	4.25	-13	-2.9	4.38	4.00	5.88	3.13	70,819	2.98	1.84	62.0	7.1	.00	0		3 mos	04-87	1540.4	54.8	82.7	426.8	.34	1600.0	1540.4	54.8	82.7	426.8	.34	1600.0	
Wolohan Lumber	M	14.63	.25	1.7	15.00	14.25	15.00	7.50	3,386	5.78	1.60	261.3	13.3	.20	1.4		3 mos	03-87	41.0	45.9	1.0	NE	.18	NE	41.0	45.9	1.0	NE	.18	NE	
Zayre Corp	N	30.00	-1.13	-3.6	32.38	28.00	36.25	20.75	97,831	16.58	5.27	214.6	18.4	.40	1.3		3 mos	04-87	1295.8	24.1	21.0	25.7	.36	28.6	1295.8	24.1	21.0	25.7	.36	28.6	
Wholesalers																															
Hughes Supply	N	27.88	.00	0	27.88	27.25	28.38	20.63	332	1.01	.91	11.0	13.0	.40	1.4		3 mos	04-87	95.8	9.6	2.0	25.0	.58	9.4	95.8	9.6	2.0	25.0	.58	9.4	
Moore Handley	M	7.75	-25	-3.1	8.50	7.75	15.00	6.75	698	2.80	1.45	93.1	17.6	.00	0	NEW	6 mos	06-87	23.4	14.1	.4	.0	.14	-6.7	47.0	14.9	.7	.0	.28	-20.0	
Lewis Palmer	M	8.75	.13	1.4	8.75	8.25	9.88	7.25	1,688	4.22	1.70	148.2	21.9	.28	3.2		3 mos	04-87	52.9	56.5	.3	200.0	.09	350.0	52.9	56.5	.3	200.0	.09	350.0	
Stanline Inc	M	12.50	.25	2.0	12.75	11.75	13.50	7.84	167	.98	1.65	-40.6	11.8	.32b	2.6		6 mos	04-87	17.3	23.6	.6	100.0	.30	42.9	31.3	14.2	.9	50.0	.50	38.9	
Manufacturers																															
Am Consum Prods	M	12.50	.25	2.0	13.00	12.25	12.88	8.50	853	4.43	2.92	51.7	18.9	.00	0		3 mos	03-87	9.2	16.5	.3	NC	.14	600.0	9.2	16.5	.3	NC	.14	600.0	
Am Standard	N	48.50	2.75	6.0	49.25	45.25	51.88	36.00	9,685	2.92	.95	207.4	10.5	1.80	3.7		3 mos	03-87	779.7	15.3	21.6	-57.0	.65	-50.0	779.7	15.3	21.6	-57.0	.65	-50.0	
Am Woodmark	M	15.25	.25	1.7	15.50	14.88	17.13	10.00	447	.65	.51	27.5	15.1	.00	0		fiscal	04-87	29.3	20.1	1.5	25.0	.22	-4.3	115.8	18.9	6.8	51.1	1.01	12.2	
Armstrong Wld	N	39.00	2.25	6.1	39.25	35.50	44.00	24.88	15,988	3.36	1.42	136.6	14.3	.90	2.3		3 mos	03-87	541.1	25.6	31.9	39.3	.67	39.6	541.1	25.6	31.9	39.3	.67	39.6	
Black & Decker	N	25.75	1.13	4.6	26.00	24.00	26.00	14.50	29,504	5.08	2.71	87.5	35.8	.40	1.6	NEW	9 mos	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0	
Boise Cascade	N	72.00	.00	0	74.00	71.00	86.88	51.50	11,390	3.91	2.28	71.5	18.5	1.90	2.6	NEW	6 mos	06-87	887.8	-5.1	35.2	12.5	1.16	8.4	1800.0	-2.4	75.4	33.9	2.47	30.0	
Certain-teed	N	40.75	-2.13	-5.0	43.63	40.50	43.63	24.63	2,882	1.52	.67	126.9	12.9	1.00	2.5	NEW	6 mos	06-87	290.7	1.6	14.8	-8.6	.77	-9.4	557.5	3.0	29.3	9.7	1.54	9.2	
Champion Intl	N	35.38	-63	-1.7	37.38	34.50	43.50	22.50	36,743	3.90	2.13	83.1	9.8	.64	1.8	NEW	6 mos	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1	
Clairson Intl	M	11.50	-4.25	-27.0	16.25	10.75	18.25	10.25	1,609	3.16	2.54	24.4	24.0	.00	0		6 mos	03-87	18.9	33.1	.8	60.0	.17	30.8	35.2	23.9	1.0	11.1	.22	-12.0	
Cooper Indus	N	64.00	1.50	2.4	66.25	62.00	66.25	36.75	19,524	4.03	1.49	170.5	20.8	1.68	2.6		3 mos	03-87	800.5	-7.6	27.6	7.0	.56	5.7	800.5	-7.6	27.6	7.0	.56	5.7	
DeSoto Inc	N	39.13	-50	-1.3	39.88	39.13	43.75	34.25	970	2.46	.87	182.8	25.1	1.40	3.6	NEW	6 mos	06-87	118.7	-9.7	6.8	38.8	1.73	69.6	209.0	-8.5	9.0	23.3	2.27	48.4	
Emhart Corp	N	46.13	.75	1.7	47.25	44.88	47.25	30.75	8,939	2.87	.77	272.7	NM	1.60	3.5	NEW	6 mos	06-87	629.0	19.2	28.8	37.8	.92	29.6	1231.6	18.7	56.8	42.0	1.82	30.9	
Georgia Pacific	N	41.88	-1.25	-2.9	43.50	39.75	52.75	29.25	58,499	5.38	2.21	143.4	11.3	1.00	2.4	NEW	6 mos	06-87	2095.0	8.6	148.0	72.1	1.35	70.9	3950.0	11.8	228.0	96.6	2.06	98.1	
Insico Corp	N	23.25	-75	-3.1	24.75	23.13	26.25	17.38	7,176	3.45	1.11	210.8	14.7	1.00b	4.3	NEW	6 mos	06-87	172.9	-12.3	10.6	-7.8	.50	-9.1	348.6	-7.6	18.4	.5	.87	.0	
La Pacific	N	30.75	1.00	3.4	32.38	29.38	39.63	22.22	11,790	3.08	1.81	70.2	12.7	.80b	2.6	NEW	6 mos	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2	
Macmillan Bloedel	M	20.75	.00	0	21.50	20.75	22.38	8.44	8,099	.80	.86	-7.0	NA	.42	NA		3 mos	03-87	719.4	17.3	60.4	106.8	.54	134.8	719.4	17.3	60.4	106.8	.54	134.8	
Manville Cp	N	4.00	.25	6.7	4.50	2.88	5.38	1.63	38,416	16.01	5.37	198.1	.9	.00	0	NEW	6 mos	06-87	517.9	5.6	41.1	63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3	
Masco Corp	N	33.75	-1.13	-3.2	35.50	31.75	40.88	23.50	27,256	2.11	.86	145.3	20.7	.40	1.2		3 mos	03-87	450.0	46.1	55.5	23.1	.42	20.0	450.0	46.1	55.5	23.1	.42	20.0	
Mor-Flo Inds	M	12.25	.50	4.3	12.50	11.75	15.50	11.50	37	.15	.59	-74.6	42.2	.01	.1		3 mos	03-87	55.5	5.9	.6	-14.3	.25	-10.7	55.5	5.9	.6	-14.3	.25	-10.7	
Newell Co	N	38.00	-50	-1.3	38.50	37.25	39.75	24.00	3,397	2.96	1.13	161.9	16.4	.84	2.2	NEW	6 mos	06-87	94.7	-4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7	
Nortek Inc	N	13.75	-38	-2.7	14.25	13.50	17.38	11.75	3,650	2.24	.86	160.5	6.3	.10	.7		3 mos	03-87													

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National Home Center News

Vol. 13, No. 17 \$2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. August 24, 1987

Fla. DIY mall to file Chapter 7

By Milford Prewitt
NHCN staff editor
CORAL SPRINGS, Fla. — Homeowners Outlet Mall Exchange (HOME), a home center shopping mall founded a year ago and managed by former Mr. HOW executives, was expected to file a Chapter 7 bankruptcy petition to liquidate, according to a lawyer representing the company.
Phones at the company's corporate offices in Coral Springs and its two retail stores have been disconnected. Corporate office furniture and HOME's computer system have been recovered by suppliers.
(Continued on page 86)

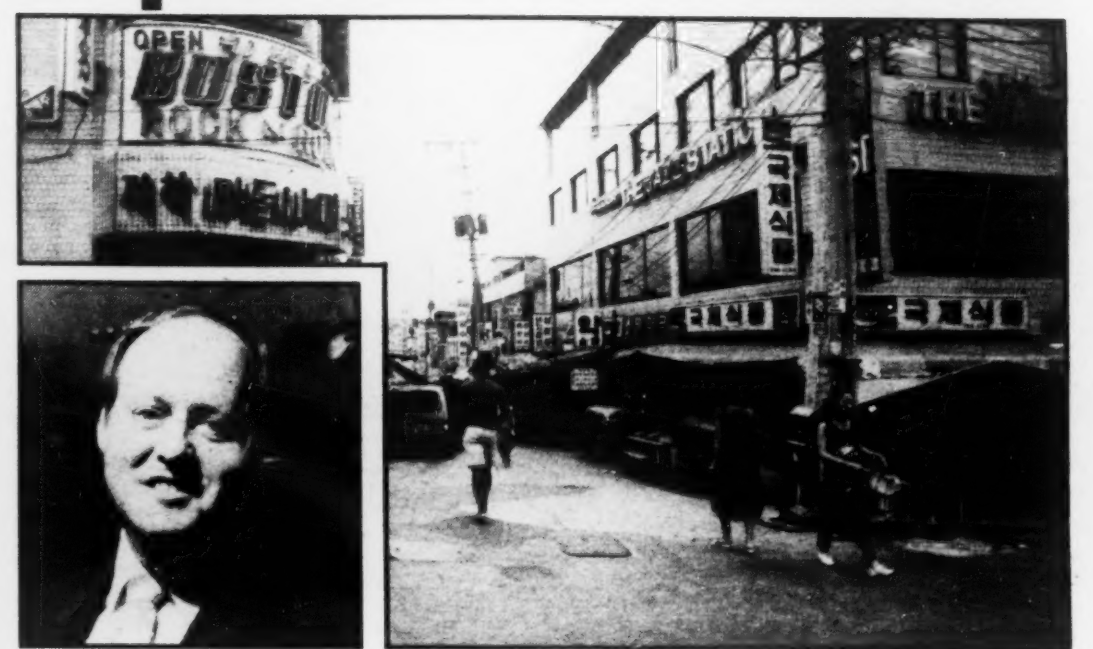


Walter Bozdek (seated), president, founder and ceo of HOME with Earl Aaronson, senior vp. NHCN photo

Korean boom belies political trouble

By Brad Altman
NHCN staff editor
CHANGWON CITY, South Korea — Workers at the Seshin Commercial Co. hand tool factory, which produces wrenches and pliers to be shipped to the United States, prick up their ears and check their wristwatches.
The South Korean national anthem is playing over the plant's loudspeakers, signifying the stroke of 6 p.m. on this hot and muggy Monday in late July.
It's the transition period between the day and night shifts. But as the patriotic music blares, workers—whether

arriving or departing—suddenly stop and stand quietly. When the daily ritual ends, life goes on.
NHCN senior editor Brad Altman recently completed a three-week tour of South Korea, Taiwan and Japan. This is the first of several stories Altman will be filing in subsequent weeks that will deal with trade issues overseas that affect DIY retailing in the U.S.
This patriotic observance, an obvious symbol of unity of purpose among the workers, is repeated simultaneously at
(Continued on page 85)



J.O. Raymer Jr., president of K Mart Korea Ltd., said recent political demonstrations in the country have had no effect on business. Pictured is Seoul, South Korea. NHCN photo

Sentry Hardware trims suppliers in move toward single sourcing

By Gary S. Ruderman
NHCN staff editor
DES PLAINES, Ill. — In an effort to boost its clout with selected suppliers, Sentry Hardware Corp. here began stripping away multiple suppliers on a number of lines.
This process of cutting vendors, in the planning stages for a year, is called "commonality" by Sentry.
Just days before the National Hardware Show commenced, Sentry's merchandising committee and the chief executive officers of its 18 member distributors met here and eliminated longtime steel goods suppliers Ames Lawn and Garden Tool Co. and fastener company Rockford Products Corp. from its list of 200 Sentry "program" suppliers.

This means that only True Temper Tool Company and Allied Starline fasteners will supply the 18 Sentry-affiliated wholesalers or be nationally promoted. These two product categories accounted for \$11 million in purchases by Sentry last year.
According to officials at one of the affiliated wholesale firms, Sentry members "unanimously agreed in principle" to a system of fines for noncompliance to the "commonality" program, although it hasn't been determined yet what amounts those fines will be. An immediate line changeover is expected.
The "commonality" program has been on the drawing board for more than a year. The August 7 supplier cuts will be
(Continued on page 85)

Vendor Operating Margins	
Company	1987 (Projection)
American Standard	17.0%
Armstrong World	15.0
Bird	6.0
CertainTeed	16.5
Cooper Industries	15.0
DeSoto	11.0
Emhart	12.5
Manville	16.5
Masco	20.5
Newell	11.5
Nortek	10.5
Owens-Corning	20.0
PPG	18.5
Ply-Gem	8.5
Sherwin Williams	10.5
Stanley Works	14.0
Thomas Industries	11.5
USG	19.5

Source: Value Line NHCN chart

Builders Sq. marks 100th store opening



Builders Square chairman Frank Denny and executive vp Jud Walford at the opening of their first Atlanta store. NHCN photo

By Ken Schept
NHCN Editor
ATLANTA — Builders Square's Store No. 100 opened here on Aug. 13, a day that the K mart warehouse home center subsidiary launched a total of nine new units in eight markets.
While any of those stores—in St. Paul, Minn.; Chicago; St. Louis; Cleveland; Akron, Ohio; Fort Wayne, Ind., or Milwaukee, which had two openings—could have been number 100, a refurbished K mart here in suburban Decatur won that designation.

The company, which began four years ago with one store in San Antonio, Texas, chose to celebrate this milestone of its rapid growth in the city where its chief warehouse store rival, The Home Depot, was founded eight years ago and is still headquartered.
Print advertising prior to the opening challenged: "Home Depot, we dare you to step outside with us."
Builders Square chairman Frank Denny, however, insisted that it was not The Home Depot that drew the
(Continued on page 85)

Vendors' operating margins rebound in first half of 1987

By Phillip M. Perry
NHCN staff editor
NATIONAL REPORT — With the first half of the year behind them, home center vendors are reporting considerable benefits from the consumer buying activity that has propelled retailer and wholesaler operations to healthy levels.
(Continued on page 86)

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NEWSBREAKS

UNITED HARDWARE JOINS PRO: United Hardware Distributing, the \$91 million member-owned buying group based in Minneapolis, has joined Pro Hardware, the \$615 million wholesaler buying group based in Stamford, Conn. The affiliation was announced at the National Hardware Show.

DIAMOND HIRES FORMER MOORE'S GMM: James T. Schaffer will join Texas-based Diamond Lumber Sept. 1 as senior vp, from a position of gmm at Moore's.

INDUSTRY UPDATE

Channel opens 181st unit in Md.

WHIPPANY, N.J. — Channel Home Centers opened its 181st store in Annapolis, Md., on June 25.

The new store is a continuation of Channel's earlier announcement to expand the chain following its leveraged buyout late last year.

The company said it will expand the chain by some 15 units in 1987.

The 50,000-square-foot store is Channel's 12th in Maryland, and will be located at Forest Drive and Riva Road at the Riva Shopping Center.

Approximately 80 people will be employed. Dean Sipple of Pasadena, Md., will manage the store.

In addition to its regular product mix, the Annapolis store will carry accessories for crabbing such as crab pots and mallets since the Chesapeake Bay area is known for its crabs.

Pay 'N Pak sells common stock

KENT, Wash. — Rosewood Corp. said earlier this month that it had completed payment of \$17 cash for each of 8.1 million shares representing 81 percent of the common stock of Pay 'N Pak.

"The shareholders now have their cash, and the next step is to send them their share of preferred stock," said C. Sean Day, president of Rosewood. Rosewood still owes shareholders one share of new preferred stock with a \$4.25 liquidation value, and expected to distribute the stock next month.

Day said Pay 'N Pak would remain a publicly held company because of the existence of the stock.

Std. Brands stuck on Glew bid

TORRANCE, Calif. — Standard Brands Paint here said it was still engaged in its effort to analyze alternatives to maximize shareholder value after it turned down a purchase offer from Entregrowth International, New York.

"Nothing concrete has occurred yet," said Craig Walker, Standard Brand's director of communications.

Entregrowth chairman Seph Glew said that Standard Brands had not yet responded to his letter requesting the two companies meet to discuss options for working together. (NHCN, Aug. 10).

"It looks like we're each waiting for the other to make the next move," said Glew.

July sales show healthy gains

NATIONAL REPORT — Home center companies reported July sales that for the most part reflected some healthy gains in total revenues, but mixed results in sales increases at stores open longer than one year.

Lowe's reported July sales of \$275.7 million, up by 11 percent from the results of the same month last year. Other revenue increases were 17 percent to \$146.5 million for Payless Cashways; 0.5 percent to \$37.5 million at Scotty's; and 18 percent to \$4.7 million at National Hardgoods Distributors. Builders Square parent K mart reported a 7.2 percent revenue increase to \$1.9 billion.

Comparable store increases, which provide one indication of the success retailers have in wringing more revenues from existing assets, were up 4 percent at Lowe's, 3 percent at Payless and declined 2.8 percent at National Hardgoods Distributors. K mart said comparable store sales increased 3.4 percent.

Scotty's said that stronger commercial sales more than offset softness in its consumer and professional builder business. NHD noted that nonpromotional sales have been growing at a faster clip than low margin ones.

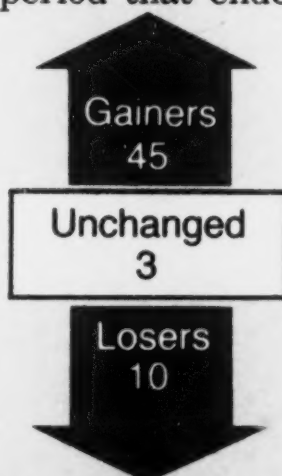
Home center stocks skyrocket

NEW YORK — Wall Street hearkened to the call of home center stocks in the two-week period that ended Aug. 7.

Of the stocks tracked by Media General for NHCN, 45 increased in price, three remained unchanged and 10 dropped in price.

The Home Depot was the No. 1 retailer in the group, increasing 16.4 percent to \$39.88. National Lumber increased 15.8 percent to \$5.50.

Strober Organization dropped 2.1 percent to \$11.75.



Hardware show places greater emphasis on foreign displays

By an NHCN staff editor

CHICAGO — The National Hardware Show increased its global emphasis this month, devoting a large section in the McCormick Place complex here to foreign manufacturers seeking to sell into the U.S. The move comes at a time when the weakened U.S. dollar has American manufacturers looking again to overseas markets.

The additional 9,000 square feet devoted to international displays netted a record 150 foreign company booths representing 14 countries, show officials said. More than 3,000 international visitors attended the show August 9 through August 12, an increase over 1986 according to Cahners Exposition Group, the show's administrators.

One American exhibitor, General Hardware Manufacturing Co., New York City, was approached by buyers from France, Mexico, Finland, Australia, New Zealand and Taiwan during the show,



More than 3,000 international visitors attended the National Hardware Show, held in McCormick Place, Chicago, according to Cahners Exposition Group.

NHCN photo

according to export manager Lucia St. Denis. This was a far greater show of foreign interest than at previous shows, she said, due to the fact "that the dollar is down abroad. These international visitors are buying, not just asking questions."

It seemed like U.S. retailers were buying as well. Despite predictions of a softening in consumer confidence and anticipation of higher interest rates, keynote speaker Robert Strickland, chairman of Lowe's Co., cited an analyst's (Continued on page 85)

John Madden named Ace spokesman

By an NHCN staff editor

OAK BROOK, Ill. — John Madden, the jovial, rotund and boisterous commentator for CBS-TV Sports, signed a 2½-year agreement with Ace Hardware Corp. to be the spokesman for the national hardware wholesale co-op.

This move appears to signal a shift by Ace away from the homey, neighborhood hardware store appeal its television commercials have projected in favor of a higher profile image.

Madden, who seems to be all over the TV screen these days hawking Miller Beer, Minolta cameras, Ramada Inns and Mobil Oil, begins his hardware career August 31 hosting a three-minute trivia radio show with Ace as the primary sponsor. The radio will air daily through 1989 on 200 stations to start, said Ace's di-



Photo courtesy CBS

John Madden

rector of corporate communications John Cameron.

Madden signed with Ace the first week of August and went immediately to work filming Ace TV commercials at a Freemont, Calif., Ace store. The commercials,

which start airing in January, show Madden asking for and receiving DIY help in Ace stores.

Cameron said Madden replaces actors Connie Foster and Dan Conway, who promoted Ace price and products as The Helpful Hardware People for about five years. In fact, about a year ago Ace officials showed the co-op's members commercials that have been airing this year that played heavily on the "Ace is the Place" and the "Helpful Hardware Man" signatures. In 1987, Ace spent about half its \$30 million advertising budget on electronic media.

The last national spokesperson employed by Ace was actress Suzanne Somers, who was summarily dropped by the co-op after nude photographs of her appeared in Playboy magazine.

Furman may merge with lumber dist.

By an NHCN staff editor

BOSTON — Furman Lumber, the \$240 million forest products distributor here, has signed a letter of intent for a merger with Slaughter Brothers, a \$55 million softwood lumber distributor based in Dallas.

The move presents the first time that Furman, founded in 1956, has merged with another company. When the merger is effected, Slaughter Brothers will be a subsidiary of Furman.

Furman deferred comment

on the terms of the merger until the final agreement is signed.

"We are now undertaking the due diligence procedures, but we feel the merger should be consummated by September 30," said Hawk Furman, president of Furman Lumber.

Due diligence procedures include reviewing the personnel, facilities and inventory of Slaughter Brothers.

Furman said that Slaughter had approached his company on the merger in early July.

He noted that both Furman and Slaughter have had "a good couple of years" from the standpoint of sales and profits.

The driving force for the merger, according to Furman, is the growing market pressures that are bringing consolidation to the industry.

"As industries mature, you get a lot of this," he said, speaking of the merger. "Distribution is changing," he added. Larger distributors have an economy of scale that is an (Continued on page 85)

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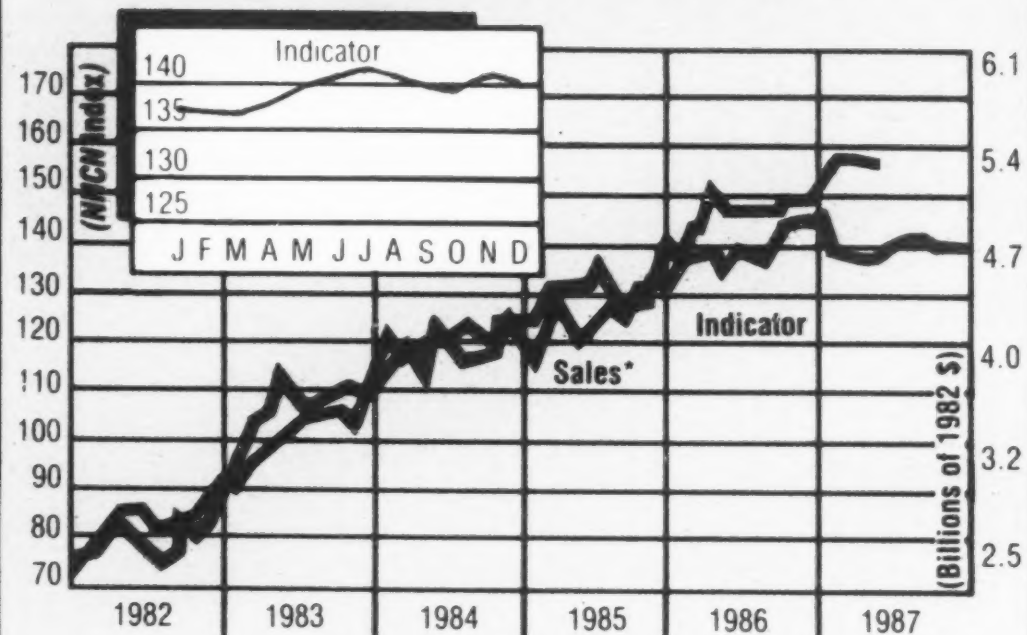
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BUSINESS WATCH

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 \$).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales increased slightly in the second quarter, but the rise in mortgage rates suggests weakness in starts and resales ahead.

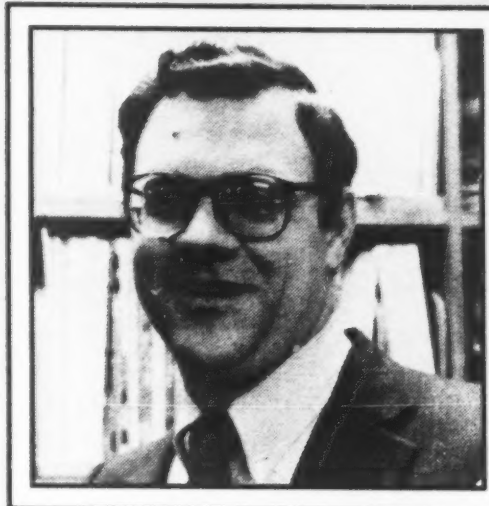
Bigger is better for home buyer and building material retailer

By Richard E. Mount
Special to NHCN

One of the major factors behind the nine percent rise in building material sales that we expect for 1987, seven percent after adjustment for inflation, is the consumer's rising preference for larger homes.

For building material retailers, this increase in average home size means a resulting gain in sales per housing start. While the larger home still has four bedrooms and two and one half baths, it requires proportionately more paint, wall-board and nails than a smaller unit.

Homes get larger during economic expansions as rising incomes allow households to



Richard E. Mount

afford bigger dwellings. During recessions, however, the average size drops as buyers seek to make do with less house.

The average size of new single-family homes increased

2.2 percent in 1986 from 1985, reaching 1,825 square feet. This was up 6.7 percent from 1982, the recession trough, when the average size fell to 1,710 square feet. Current sales prices suggest another gain of three percent for 1987.

The average size in 1986 was surprising, given today's economic climate.

Mortgage rates continue to remain high in this expansion, thus keeping monthly payments up. Yet con-

(Continued on page 13)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

	1986				1987				1985	1986	1987
	QI	QII	QIII	QIV	QI	QII	QIII	QIV			
NHCN Leading Sales Indicator (January 1980 = 100)	124.7	127.9	132.1	137.1	138.6	140.2	141.9	140.4	118.5	130.4	140.3

General Economic Outlook

GNP \$1982 Billion	3,698.8	3,704.7	3,718.0	3,731.5	3,772.2	3,796.4	3,764.5	3,816.1	3,585.2	3,675.0	3,758.0
Real Disposable Income \$1982 Bil.	2,610.5	2,660.2	2,653.2	2,656.7	2,674.6	2,653.1	2,684.4	2,695.4	2,528.0	2,602.0	2,626.7
Housing Permits (000 SAAR)	1,834	1,822	1,678	1,695	1,695	1,535	1,550	1,575	1,733	1,762	1,595
Housing Starts (000 SAAR)	1,938	1,878	1,758	1,702	1,795	1,612	1,600	1,600	1,742	1,806	1,654
New Home Sales (000 SAAR)	791	794	685	712	724	676	650	675	688	749	672
Resales (000 SAAR)	3,256	3,470	3,615	3,927	3,617	3,623	3,500	3,500	3,214	3,565	3,554
Prime Rate %	9.4	8.6	7.9	7.5	7.5	8.1	8.5	8.5	9.9	8.4	8.2
Mortgage Rate % (HUD)	10.8	10.1	10.2	9.7	9.1	10.3	10.4	10.4	12.5	10.2	10.1
Consumer Price Index (1967 = 100)	327.7	326.3	328.4	330.7	336.0	339.0	342.9	347.1	322.1	328.3	341.1
Producer Price Index (1967 = 100)	292.1	288.5	288.2	290.2	292.3	296.1	298.8	302.2	293.8	289.8	298.1
New Housing Affordability 1980-100)	128.6	129.4	126.1	128.9	129.2	127.3	119.3	118.8	117.6	128.3	123.7

Residential Alterations and Repairs

Current	Total \$ millions SAAR	91,800	83,300	104,400	86,700	94,581	96,972	98,978	101,386	80,267	91,416	97,979
	Maintenance and Repair	37,700	29,800	40,600	36,300	37,570	38,288	39,094	39,834	35,358	35,990	38,697
	Additions and Alterations	33,900	39,600	44,700	35,400	39,318	40,538	41,334	42,647	28,775	38,662	40,959
	Major Replacements	20,200	13,900	15,000	19,100	17,693	18,146	18,550	18,904	16,134	16,766	18,323
Constant	Total Millions \$1982 SAAR	83,655	74,114	96,100	83,969	86,600	87,910	88,840	90,100	74,614	84,459	88,363
	Maintenance and Repair	34,355	26,514	38,900	33,569	34,400	34,710	35,090	35,400	32,864	33,334	34,900
	Additions and Alterations	30,892	35,233	42,828	32,737	36,000	36,750	37,100	37,900	26,791	35,423	36,938
	Major Replacements	18,408	12,367	14,372	17,663	16,200	16,450	16,650	16,800	15,180	15,702	16,525

Retail Trade Activity

Current	Total \$ millions SAAR	1,414,624	1,431,108	1,486,596	1,485,648	1,469,808	1,498,332	1,535,484	1,553,351	1,379,621	1,445,875	1,517,873
	Total Minus Automobile	1,104,376	1,109,508	1,122,908	1,133,900	1,155,900	1,162,976	1,190,378	1,204,514	1,067,762	1,117,943	1,178,602
	Building Material, Hardware, Garden Supply, Mobile Home	86,136	87,528	88,884	89,488	91,132	90,296	96,132	96,596	75,556	88,009	95,250
	Building Material and Supply	63,708	64,396	62,956	64,584	69,660	68,376	72,672	74,559	55,695	65,529	72,591
Constant	Hardware	10,500	10,884	11,832	11,748	12,092	12,592	12,566	12,724	10,397	10,700	12,542
	Total Millions \$1982 SAAR	1,318,831	1,348,823	1,389,643	1,381,478	1,346,715	1,355,148	1,375,000	1,379,000	1,287,616	1,363,384	1,367,047
	Total Minus Automobile	1,037,082	1,058,355	1,064,708	1,069,709	1,069,597	1,062,730	1,077,000	1,079,000	1,003,247	1,064,947	1,073,674
	Building Material, Hardware, Garden Supply, Mobile Home	80,759	84,456	84,518	83,480	84,277	83,247	87,750	87,300	71,575	84,163	86,654
	Building Material and Supply	59,719	62,132	59,866	60,242	64,420	63,039	65,750	66,200	52,705	61,650	65,192
	Hardware	9,845	10,504	11,251	10,960	11,182	11,609	11,470	11,500	9,860	10,682	11,411
	Building Materials % of Total Less Automobile (\$Current)	5.77	5.80	5.61	5.70	6.03	5.88	6.10	6.19	5.22	5.86	6.16

BUSINESS WATCH**Bigger is better for buyer and bldg. material retailer***(Continued from page 12)*

consumers, however, remain willing to pay a larger portion of income for housing than in the past.

Generalized inflationary psychology has abated, the consumer price index rose only 1.9 percent in 1986. The idea of buying the largest house that a family can afford to beat inflation has not been as pronounced in this expansion as in the late 1970s. Still buyers rush to pay more.

Beginning in 1981, new investments made housing less attractive. In the early 1970s, housing was the best investment vehicle for most households. Gains were sheltered from taxation as long as more expensive homes were bought.

The early years of payments, when interest charges were large, were almost entirely deductible from income. From 1981 to 1986, when the tax law again changed, consumers had the option of IRA accounts that provided tax-sheltered gains, funded by pretax earnings.

Obviously, financial considerations are only part of the housing demand equation. Housing remains a social decision as well. The older population, with larger families and higher wages, is willing to trade up to larger homes.

Regional size variation

The Northeast did not show much change in size in recent years. The average size was 1,850 square feet in 1986, slightly down from 1,860 in 1984. The current surge in home prices in the area is fueled by building lot costs, labor shortages and material prices. As homes become increasingly less affordable, average size will contract.

The Midwest average size for homes rose the fastest in this recovery, up 1.9 percent in 1986 to 1,855 square feet. Since 1982, the average size increased 12.1 percent, versus 6.7 percent nationally. The region concentrates on the manufacturing of durable consumer goods, including autos and business equipment. An economic expansion accelerates the Midwest more than other areas.

The South saw the fastest rise in 1986—up 3.4 percent, and the second fastest since 1982—7.4 percent. The early 1986 drop in energy prices harmed housing activity in Texas and Oklahoma in particular, but these states have many homes of 1,000 square feet. By decreasing the number of starts in these states, the region's average increases. As energy markets recover in 1988, average home size in the South will decline.

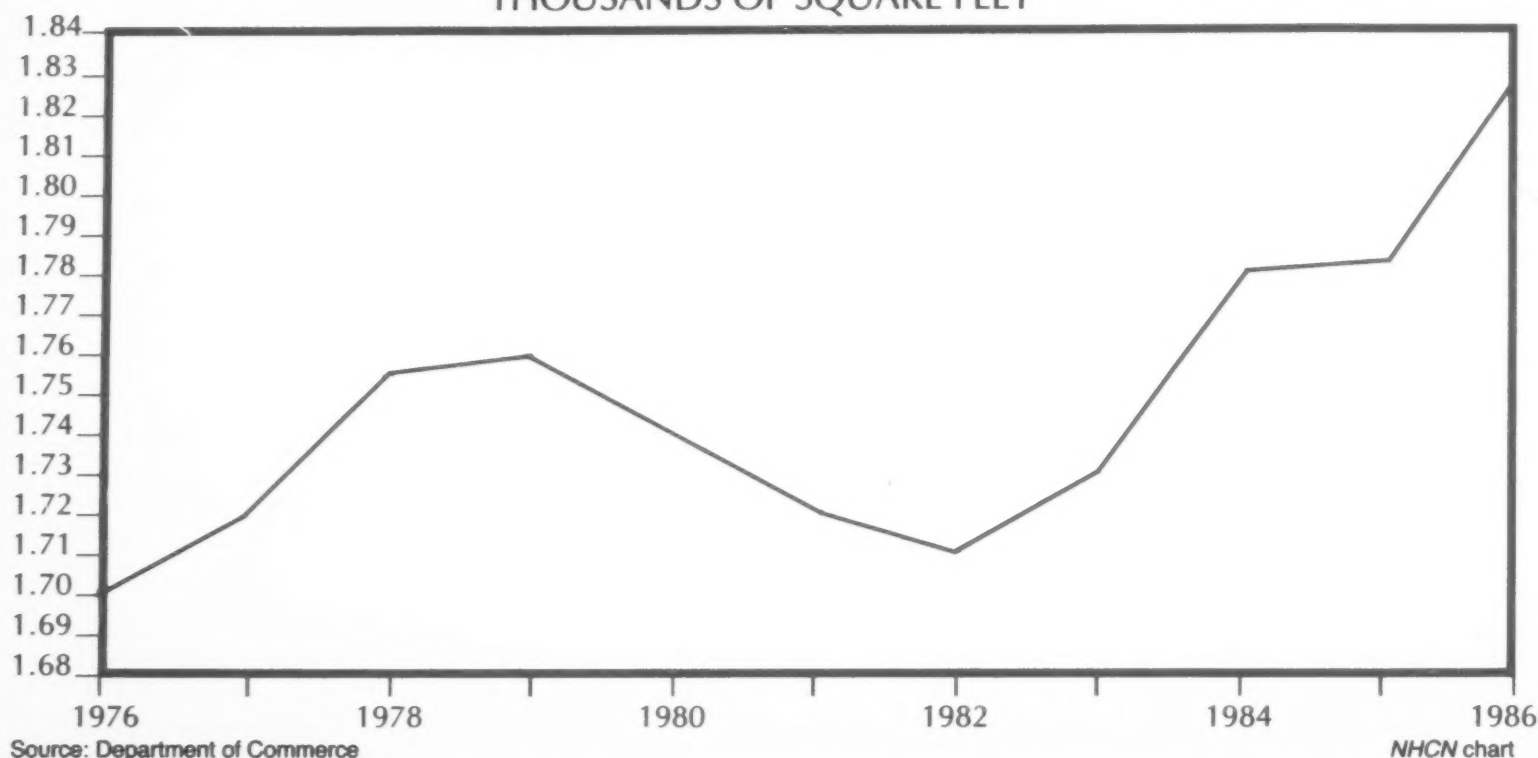
The West saw the slowest growth in home sizes—up 1.7 percent last year and only 3.4 percent since 1982. Nevada and Arizona have grown rapidly, but homes in these states are smaller on average. Oregon, Washington and Silicon Valley, with larger homes, have not been as robust.

Sales are expected to increase nine percent this year in dollar volume, seven percent after inflation. The rise in dollar volume is slightly less than previously forecast, but unit volume remains the same. Since the last report, the Department of Commerce has revised the price deflator and it shows less inflation into 1987 for retail sales.

Supporting the rise in sales will be the three percent rise in new home average size. This gain will be somewhat higher in the Midwest and South, less in the Northeast and West.

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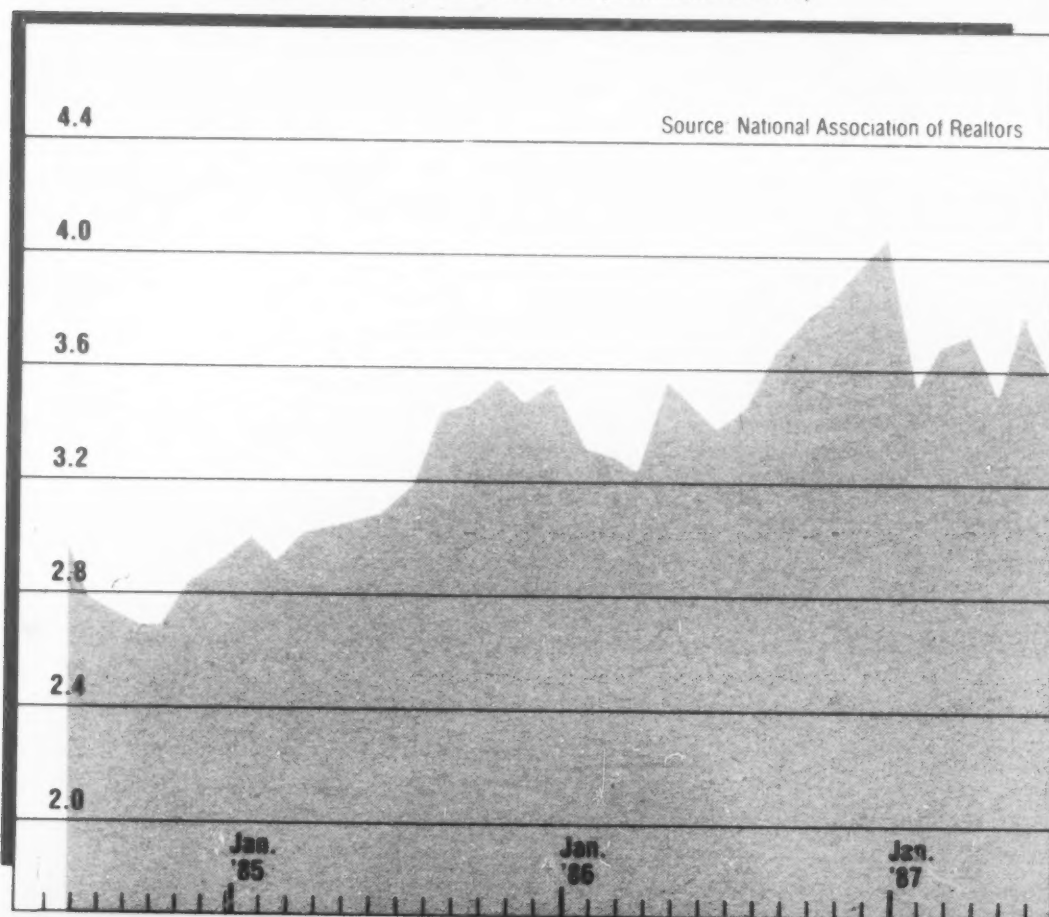
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HOUSING WATCH

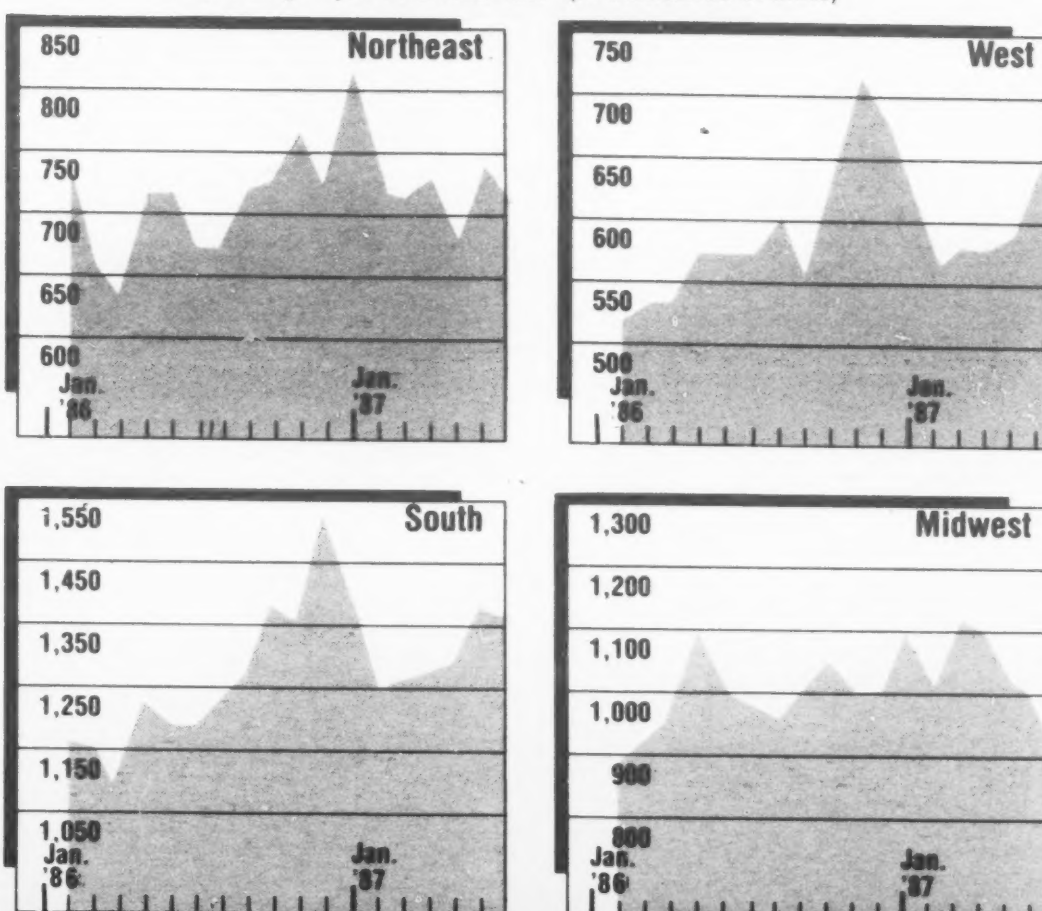
National existing single-family home sales

Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales

Seasonally adjusted annual rate (in thousands of units)



Median cost of a home in U.S. hits \$87G in June

NATIONAL REPORT — Interest rates and home prices were up in June, housing resales were down, and one real estate economist predicts that the pattern will continue through August.

By fall, the pace should level off.

"We should wind up the year with sales of about 3.55 million to 3.60 million units, which is roughly what we were forecasting in January," said John A. Tuccillo, chief economist for the National Association of Realtors (NAR).

The median resale home price in the United States hit \$87,000 in June, according to NAR preliminary figures. That's \$1,800 more than the median price in May and \$4,900 more than January. A seasonally adjusted 3.54 million units changed hands, down from 3.77 million in May.

The May-to-June price increase is typical for this time of year, Tuccillo said, because more larger, expensive homes

Median Sale Price

(in thousands of dollars)

	June*	May*	April	March
U.S.	\$ 87.0	\$ 85.2	\$ 85.6	\$ 85.0
Northeast	139.4	32.4	129.4	128.2
South	82.1	81.4	81.8	83.7
Midwest	65.9	66.3	67.6	67.6
West	107.8	103.2	103.3	101.9

P-preliminary *revised
Source: National Association of Realtors

come on the market.

The Northeast led the price rise, with a \$7,000 increase in the median home price. Some 710,000 homes were sold, down from 740,000 in May.

Prices in the region jumped from \$132,400 in May to \$139,400 in June. Northeast homes started the year at \$108,700.

But Tuccillo said, "we anticipate that the continued large price increases there will diminish as demand drops in that area, and pressure begins to build on sellers."

The West followed with the next sharpest gain. Median home prices there were up \$4,600, from \$103,200 in May to \$107,800 in June.

The smallest price increase was in the Midwest, where median resale prices increased a modest \$400. Some 900,000 units changed hands, down from 1 million.

Though resale figures are up nationally from last year, Tuccillo said they are still below normal June levels.

NAR President William M. Moore, attributed the slowdown to rising interest rates.

"A slightly upward move in interest rates is all it takes to keep a borderline buyer from getting a home of his own," Moore said.

That's up from 9.27 percent in May, but below the 10.20 percent rate for the same period last June.

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